



# SCHOOL NUTRITION ASSOCIATION OF MICHIGAN

*"Providing our members with the resources  
to advance good nutrition for Michigan's children"*

## Position Paper on Privatization of School Nutrition Programs

The School Nutrition Association of Michigan (SNAM) is an association comprised of over 1600 school nutrition professionals from across the state. Our mission is to provide our members with the resources to advance good nutrition to Michigan's children supporting academic achievement in the classroom. SNAM recognizes the current fiscal crisis facing our State and the subsequent fall-out the Michigan economy has had on school funding. While school districts across the state are grappling with a multitude of strategies to close budget gaps, it is vitally important that school districts focus on strategies that generate long term sustainable benefits. It is our position, therefore, that school districts should not be mandated, by law, to enter into Food Service Management Contracts which would deny school districts local control of School Nutrition Programs.

At this time, school districts are considering a variety of ways to reduce costs and to maintain quality of all non-instructional services provided to students. Third party food service management contractors (FSMC) should not be considered a panacea for saving money or for improving the quality of student nutrition programs. SNAM believes that fiscally sound school nutrition programs are the result of well trained employees under the direction of a highly qualified food service director. Whether the school nutrition program is run by a management contractor or self-operated by the district, the common denominator for a fiscally successful program is the qualifications and experience level of the food service director.

Food service operations are not a part of the district general fund budget. The food service operations are largely federally funded. Only when a program runs in a deficit does any money need to come from the district general fund budget to balance the food service fund. When there is a profit in the food service department, a portion (not to exceed 15%) can be transferred into the general fund. The food service operations are their own profit/ loss center unlike custodial and transportation services.

There are two major triggers that cause a district to outsource with a FSMC. The first being that a director retires from the district and the district does not want to conduct a search for a replacement.

- Grand Blanc outsourced their management team when their director retired. The food service staff is still on the district payroll. The district stated that the operation is showing a profit of \$60,000. The profit is reached after all hourly food service wages and benefits are covered. For the SY 2009-2010 the posted audit results show a loss of \$88,000 to the food service program. When contracting for managed services the district will pay for the director on site and then will pay out an administrative fee and management fee. These are listed as purchased services on an audit. On the 2009-2010 annual audits for Grand Blanc purchased services are \$454,000. Purchase services consist of fees and management labor that was billed to the district. It could also include repair and maintenance services.

[www.michigansna.org](http://www.michigansna.org)  
884 East Isabella Road, Midland, Michigan, 48640  
Phone: (800)677-8955 or (989)631-3663 ~ Fax: (989)631-4541



## SCHOOL NUTRITION ASSOCIATION OF MICHIGAN

*"Providing our members with the resources  
to advance good nutrition for Michigan's children"*

The second reason a district would seek outsourcing is that they are subsidizing the food service program and draining monies from the general fund.

- Madison District Public Schools officials stated in the Daily Tribune on March 15, 2006; the district found out the hard way that outsourcing to a FSMC granted them no savings and the program still needed to be subsidized \$68,000. A subsidized program was the reason they outsourced. This amount was the same deficit they had incurred prior to outsourcing. The third party vendor maintained an approximate profit of \$79,000, while the district suffered a \$68,000 loss.

School Districts are recognizing that when they outsource to a third party they can lose control and quality. Districts are bringing back in house management and seeing better results.

- Plymouth Canton Community Schools outsourced management only, for food service for approximately 30 years. This arrangement was the same as Grand Blanc. In March of 2009 the district administration decided that their program was complacent and that the district had lost control. Under the management company, the district had small return over the last five years. The Board voted and decided to bring the management in house. A director was hired and instructed that the expectation was to improve the program. Under the new in house management, the district realized a profit of \$239,000 per the annual audit. This included the addition of a registered dietician to the in house management team. The prior year, under a management company, the return was audited at \$127,000 which included an \$82,000 credit from the contractor for the prior year billing. The actual return was \$45,000. Even with additional wages and benefits there was a higher return and no fees were paid to a FSMC. The district meal participation increased 5% for lunch and 20% for breakfast. Overall, revenue increased 5% with no meal price increase. Federal meal reimbursement increased 16% over the prior year.

Representative Agema shared that in his district Hudsonville, the food service program is run by a neighboring district's food service department. Hudsonville was used as an example to support the bill. Both of these districts are still self-operated or in house operations. This solution is not a competitive bidding situation. This arrangement is actually a consolidation of services. The practice of consolidation and collaboration is being strongly encouraged by new administration. The requirement to outsource through formal bidding will cripple if not delete, the option for consolidation and collaboration. When a self operated district collaborates with another district, there is not a formal bidding process. The districts reach a mutually beneficial financial agreement. The only time there is a formal bidding process is when a FSMC is sought out to run the service for a district. Food Service Departments throughout the state are actively consolidating and collaborating without a required law.

[www.michigansna.org](http://www.michigansna.org)  
884 East Isabella Road, Midland, Michigan, 48640  
Phone: (800)677-8955 or (989)631-3663 ~ Fax: (989)631-4541



## SCHOOL NUTRITION ASSOCIATION OF MICHIGAN

*"Providing our members with the resources  
to advance good nutrition for Michigan's children"*

- Dexter Community Schools, Washtenaw ISD's Highpoint and Honey Creek Schools, and Washtenaw County Summer Feeding have consolidated services for over 10 years. On July 1, 2011, Dexter Schools consolidated with Chelsea Community Schools as well.
- In 2007, Williamston Community Schools decided to walk away from a FSMC and partner with Okemos Schools. The director spends 80% of her time in Okemos and 20% in Williamston weekly. Each district maintains its own labor contracts, menus and procedures. Under the FSMC management the district's general fund had to subsidize the program \$40,000 annually. Under the shared services contract with Okemos, the program has generated a profit of \$40,000 annually.
- Lakeview School District is a self operated district that currently provides services to St. Mark's Day Care, Paws and Stripes Day Care, Calhoun Christian School, St. Joseph Elementary and Middle School and Calhoun Community High School. These collaborative efforts produce a profit for the food service program. Last year \$106,000 was transferred back to the general fund from the food service fund. In addition, the collaboration helped offset expenses. The savings makes it possible for \$138,000 to be spent on upgrading equipment in the cafeterias. None of this money was taken from the general fund.

Successful collaboration between these programs requires fiscal responsibility along with efficient best practices. Economies of scale, (including a shared food & nutrition director), lower administrative costs, greater efficiencies in budget and labor planning and implementation benefit these programs significantly.

- In June 2010, West Bloomfield Schools entered into an Inter-local Agreement with Oakland ISD to provide part-time Child Nutrition consultant services to the county. West Bloomfield now shares their Food Service Director with Oakland ISD in a part time capacity at each location. As a result of this collaborative effort, West Bloomfield Schools has saved \$40,000 and Oakland ISD has saved \$60,000 for SY 2010-11. West Bloomfield has saved an additional \$30,000 dollars by creating a shared position for the food truck and ground maintenance within the district. Total dollars saved for West Bloomfield \$70,000 and Oakland ISD \$60,000 while still providing the same level of service to the district.

In order to maintain and uphold a successful business plan for these self-operated districts, an effective blueprint has emerged that focuses on stability and sustainability. Implemented with the efforts of administrators, finance directors and the food service director allows us to focus on what is best for the students as well as each school program. With these efforts we have succeeded with programs that run in the black, contribute to general funds without having raised student meal prices in 5 years.

- Brighton, Hartland and Howell over the last five years have contributed \$1.8 million to their general funds.

We are not driven by impersonal corporate board directors or decision makers. All of our decisions are defined and decided by our primary desire to recognize our responsibility to our students, parents and

[www.michigansna.org](http://www.michigansna.org)  
884 East Isabella Road, Midland, Michigan, 48640  
Phone: (800)677-8955 or (989)631-3663 ~ Fax: (989)631-4541



## SCHOOL NUTRITION ASSOCIATION OF MICHIGAN

*"Providing our members with the resources  
to advance good nutrition for Michigan's children"*

community. Our programs meet and exceed the high standards of nutrition and fiscal responsibility we set for ourselves, while maintaining a personal and nurturing touch.

And finally, the most important and the most overlooked aspect of any school food service self-operated program is our stewardship to the students, their parents, and the community. We see them daily at after school programs, band concerts, athletic events, and school fund raisers. We see them at the grocery store, 4-H clubs, girls and boy scouts. We help to support our local businesses and farms by purchasing their products for our daily breakfasts and lunches. We volunteer and serve on wellness committees; we seek grants for school improvements. We meet with parents, staff and students and their involvement, comments and concerns are reflected in our program decisions and directions. They are "priceless" to us, and will always remain so.

Districts must also consider the profit motive of FSMC and all costs associated with FSMC, which may exceed current operational cost thresholds. A legislative mandate requiring the outsourcing of student nutrition programs would not allow for local control of School Nutrition Programs and would not create the long term cost savings to a district that may appear at first glance. The truly long term sustainable solution is for districts to ensure that they staff their Nutrition Services Departments with highly qualified personnel. All cost savings generated by a self operating department is driven directly back into the district. Though a management company may provide short term gains in some instances, in the long run a district benefits far more from a well managed self operated department.

- East Grand Rapids Food Service outsourced management only for many years. In a bid due April of 2009, the district requested that bidders bid on district labor converting to the management company payroll. The district was hoping to see a profit improvement. For the 2008-2009 school years per, the annual audit the deficit for management only was a loss of \$66,000. With a labor conversion for 2009-2010 the district suffered a loss of \$53,000. Stated in the Grand Rapids Press on May 27, 2010 the board of Education voted to end their relationship with a FSMC vendor and partner with Grand Rapids Public for the SY 2010-2011. Grand Rapids Public Schools is a self operated district that has continually sought out opportunities for consolidation of services with area schools. In the Grand Rapids Press on October 18, 2010, the Assistant Superintendent of East Grand Rapids stated that East Grand Rapids was expecting a \$140,000 savings with the arrangement with Grand Rapids Public Schools.

There is no magic wand that will solve all of our school funding issues. Multiple approaches must be incorporated. Some of which may include the decision to outsource departments. However, to create a legislative mandate to outsource any department is a short-sighted approach to an extremely serious and complex school funding issue. We believe that our legislature can do better and focus on fundamental long term solutions that will bring stability to the school funding picture and sustainable efficiencies for districts across the State. The School Nutrition Association of Michigan welcomes the opportunity to craft such a vision in partnership with all of the stakeholders in Lansing. SNAM would like to request the additional verbiage be added to the House Bill 4306 as follows: "Departments who contribute to the general fund, maintain a budget neutral status and/or generate profit will be held exempt from annual Request for Bid process". Food Service should be removed for consideration of the bill due to the fact it is not part of the general fund for school districts.

[www.michigansna.org](http://www.michigansna.org)

884 East Isabella Road, Midland, Michigan, 48640

Phone: (800)677-8955 or (989)631-3663 ~ Fax: (989)631-4541